

Appendix B.4 - Ensuring Fair Housing in HUD Programs

Appendix B.4 examines the range of HUD program activities that combat discrimination and promote integration in housing.

A. FHEO Crosscutting Responsibilities

This appendix reports information about HUD program applicants, beneficiaries, and potential beneficiaries. The collection of civil rights data on the race, sex, ethnicity, handicap, and family characteristics of HUD program participants and beneficiaries is necessary to effectively administer the civil rights requirements in all HUD programs and to ensure adherence to the FHAct. The primary sources for the civil rights data collected by the Department are the forms and reports prepared and submitted to the Department by program grantees. Each program collects data on the characteristics of persons or households affected by the program or its activities.

B.4.1 Office of Public and Indian Housing

The Office of Public and Indian Housing (PIH) administers the Nation's public housing system and the Section 8 rental assistance programs. It is the largest provider of assisted housing for the country's poorest families. The Multifamily Tenant Characteristics System (MTCS) is a national database of information on households moving into or already residing in public and Native American housing. MTCS also keeps information on recipients of Section 8 rental certificates, rental vouchers, and Moderate Rehabilitation programs. The following exhibit provides a summary of the number and characteristics of households residing in public and assisted housing. A more detailed report on residents characteristics follows it.

Exhibit 1

Characteristics of Households in Public and Assisted Housing

	Public Housing	Certificates & Vouchers	Project Based Section 8	Other Private Project-Based	Total
Total Number of Households	1,200,000	1,400,000	1,400,000	300,000	4,300,000
Persons per Household	2.32	2.70	1.85	2.07	2.27
Race/Ethnicity	(%)	(%)	(%)	(%)	(%)
Black/Non-Hispanic	30	44	54	53	44
White/Non-Hispanic	48	37	32	31	38
Hispanic	19	15	11	11	15
Asian	2	2	3	5	3
Native American	0	1	1	0	1
Household Composition					
Families with children	46	65	35	38	48
1 Child	16	22	15	18	18
2 Children	15	22	12	13	16
3 or more Children	16	21	8	7	14
Household w/o Children	54	35	65	62	52
Elderly	30	16	47	34	31
Persons with Disability	11	12	11	5	11
Other	13	7	7	23	10
Primary Income Source for Families with Children					
Wages	36	36	40	78	40
Public Assistance	48	49	38	10	42
SS Pension	8	8	15	9	10
Median Income	\$6,939	\$7,547	\$7,501	\$13,326	\$7,766
Average Income	\$8,535	\$8,922	\$8,365	\$15,024	\$9,054
Average Monthly Rent	\$188	\$195	\$181	\$342	\$199

Exhibit 2
NATIONAL PROGRAM RESIDENTIAL CHARACTERISTICS REPORT
AS OF MAY 1998

From Multifamily Tenant Characteristics Support System

Analysis Level: National - U.S. Housing	Public Housing	Sec 8 Certs & Voucher	Moderate Rehab
Total Assisted Units	1,310,786	1,484,231	108,109
Occupied Units	1,167,579	1,484,231	108,109
Income, Average Annual	9,169	9,457	7,678
Number Very Low Income, 50% of Median	84	72	63
Low Income, 80% of Median	5	3	1
Above Low Income	1	1	2
Income Limit Unavailable	10	25	34
Distribution by Income (%)			
\$0 Income	2	2	5
\$1 - 5,000	19	17	28
\$5,001 - 10,000	51	48	49
\$10,001 - 15,000	18	21	15
\$15,001 - 20,000	7	9	5
\$20,001 - 25,001	3	3	2
Above \$25,000	3	2	1
Distribution by Source of Income (%)			
With any wages	28	36	30
With any AFDC/Public Assistance	22	31	32
With any SSI/SS/Pension	54	45	41
With any Other Income	24	26	20
With Source of Income Missing	0	3	2
Distribution by Total Tenant Payment (TTP) (%)			
\$0 - 49	7	8	15
\$50 - 99	13	12	17
\$100 - 199	44	37	41
\$200 - 349	23	28	20
\$350 - 499	7	10	5
\$500 and Above	5	5	2
Missing	1	0	1
Average Monthly (\$)	200	217	165
Average TTP by Household Type (%)			
Average TTP, age 62 & over	31	17	16
Average TTP, age 62 with disability	16	19	20
Average TTP, other with dependents	43	57	48
Average TTP, other without dependents	10	7	16

Analysis Level: National - U.S. Housing	Public Housing	Sec 8 Certs & Voucher	Moderate Rehab
Average TTP, (All with dependents)	52	66	52
Average TTP by Household Type (\$)			
Average TTP, age 62 & over	205	207	181
Average TTP, age 62 with disability	187	212	168
Average TTP, other with dependents	194	224	165
Average TTP, other without dependents	234	199	141
Average TTP, (All with dependents)	202	229	170
Distribution by Race (%)			
White	48	57	51
Black	49	39	45
American Indian or Alaska Native	1	1	1
Asian or Pacific Islander	2	3	2
Distribution by ethnicity (%)			
Hispanic	17	15	19
Non-Hispanic	83	85	80
Distribution by Length of Stay (%)			
Moved in past year	15		
1 - 2 years ago	9		
3 - 5 years ago	17		
6 - 10 years ago	9		
11 - 20 years ago	8		
Over 20 years ago	5		
Not reported	36		
Distribution by Household size (%)			
1 person	42	27	42
2 persons	20	23	23
3 persons	16	22	18
4 persons	11	15	10
5 persons	6	8	4
6+ persons	5	5	2
Avg. Household size	2.4	2.7	2.2
Distribution by Number of Bedrooms (%)			
0 bedrooms	9	4	17
1 bedrooms	42	22	29
2 bedrooms	24	40	38
3 bedrooms	19	29	13
4 bedrooms	5	4	2
5+ bedrooms	1	1	1

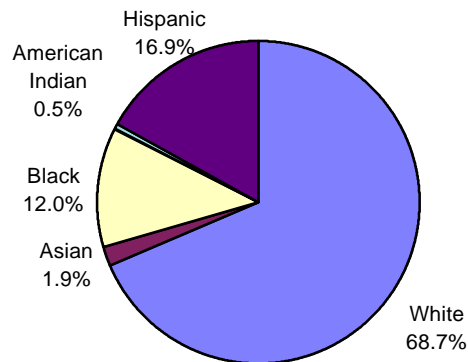
B.4.2 Office of Housing – Federal Housing Administration

The Federal Housing Administration (FHA) insures private lenders against loss on home mortgages, multifamily projects, health facilities, loans for property improvements, and manufactured homes. The overall goal of FHA's insurance program is to expand homeownership and affordable housing opportunities for all Americans. FHA's role in helping homebuyers has always been to find ways to reach out to buyers who may not otherwise have a chance to purchase a home. FHA is particularly important to first-time and minority homebuyers. In 1997, approximately 79 percent of the mortgages insured by FHA were for first-time homebuyers.

That same year, 31.3 percent of all FHA-insured borrowers were either Black, Hispanic, Asian, or Native American.

Exhibit 3

**FHA-Insured Mortgages
Race/Ethnicity of Borrowers FY 97**



B.4.3 Office of Housing--Government Sponsored Enterprise Oversight

In 1992, Congress enacted the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (GSE Act) to provide for oversight of government sponsored enterprises, Fannie Mae and Freddie Mac, referred to herein collectively as the “GSEs.” Under this law, the Secretary oversees fair lending compliance by the GSEs and establishes affordable housing goals for them.

The GSEs are stockholder-owned corporations chartered by Congress to purchase mortgages made by primary lenders, such as mortgage companies, banks, and savings and loan associations. These purchases replenish the primary lenders’ capital, thus enabling them to make further mortgage loans and thereby accommodate more home seekers.

Both Fannie Mae and Freddie Mac report on the race of the borrowers for the single-family mortgages they purchase, based on information contained on loan applications. Part A of this Section analyses statistics regarding purchases of loans made to African American and Hispanic borrowers. Part B reports on Fannie Mae’s and Freddie Mac’s effort to expand affordable housing for low-and moderate-income borrowers and their performance under the Affordable Housing Goals. Part C outlines the GSEs’ fair lending activities.

A. African American and Hispanic Mortgage Purchases by the GSEs

In June 1998, the Department published an analysis of the purchase of affordable loans by Fannie Mae and Freddie Mac.¹ In order to compare the GSE purchases with loans insured under the FHA programs, the Department limited the study to the FHA-eligible market. More specifically, the loans selected for study were loans purchased by the GSEs which fell below the FHA maximum loan limit for each metropolitan area. About two-thirds of all GSE purchases are FHA-eligible. The remaining one-third are above those limits but still below the national limit for conforming loans.

In 1996, African American and Hispanic borrowers accounted for 12.7 percent of FHA-eligible single-family loans purchased by Fannie Mae, as compared with 9.3 percent of such loans purchased by Freddie Mac. The FHA share of the market for African American and Hispanics was 29.8 percent, more than the percentage of both GSEs combined.

Hispanic borrowers represented a consistently larger percentage of GSE borrowers than did African Americans. Hispanics also represented a larger proportion of FHA-insured loans, of which African Americans held 14.3 percent as compared with 15.5 percent for Hispanics.

¹ “The GSEs’ Funding of Affordable Loans” by Harold Bunce and Randall M. Scheessele, PD & R Working Paper HF-005, June 1998. The paper analyzes 1996 statistics.

For the FHA-eligible mortgage market, portfolio lenders -- primarily commercial banks and thrifts -- are comparable with Fannie Mae in the percentages of mortgages purchased for Hispanic and African American borrowers. African American and Hispanic borrowers accounted for 11.1 percent of FHA-eligible single-family loans originated by depository institutions in 1996.

For the conforming-loan market (loans below \$207,000 in 1996), Fannie Mae, Freddie Mac and the portfolio lenders purchased, in 1995, larger percentages of African American and Hispanic loans than they did in 1996 or 1997. In 1997, Fannie Mae's proportion of mortgages for African American borrowers was greater than in 1996, while Freddie Mac's figure declined slightly. Fannie Mae's proportion of mortgages for Hispanic borrowers declined from 1996 while Freddie Mac's proportion remained unchanged.

Exhibit 4

GSE Home Purchase Loans by African American and Hispanic Borrowers²

	1993	1994	1995	1996	1997
African American Borrowers					
Fannie Mae	2.7%	4.0%	4.4%	3.6%	4.1%
Freddie Mac	2.0%	2.8%	3.2%	2.9%	2.7%
Hispanic Borrowers					
Fannie Mae	3.8%	5.7%	6.2%	5.6%	5.0%
Freddie Mac	3.1%	4.0%	4.1%	3.9%	3.9%

One reason for the slight decrease between 1995 and 1996 in percentages of purchases by African American and Hispanic borrowers may be higher loan denial rates in 1996 for African American and Hispanics.³ In addition, the growth rate in loan originations for minorities was zero or decreased slightly in 1996 while originations for whites increased in 1996, after declining in 1995. The Department is currently analyzing the 1997 Home Mortgage Disclosure Act (HMDA) data.

B. The Affordable Housing Goals for the GSEs

The Department issued its final regulation on December 1, 1995. It required the GSEs to meet three affordable housing goals. The first goal requires the GSEs to purchase mortgages for low-and moderate-income families, i.e., families at or below area median income. The second goal, the Special Affordable Goal, requires the GSEs to purchase mortgages for both very-low-income families-- those at or below 60 percent of the median income -- and for low-income families—those at or below 80 percent of median income -- who live in low-income areas. As part of the Special Affordable Goal, each GSE must purchase a specified dollar amount of multifamily mortgage loans for properties that provide rental housing for families who qualify under the special affordable criteria. The third goal, called the Geographically Targeted Goal, focuses on underserved areas, as defined by percentage of minority population and/or income of the residents. A single mortgage can qualify for one, two, or three of the goals. Purchases of both single-family mortgages and multifamily mortgages count toward each specified goal.

The GSEs had to meet these goals for the first time in 1996. Prior to that, from 1993-1995, the GSEs were subject to transitional goals defined in the GSE Act. The performance on the three goals 1997 is shown on the following table:

² This Exhibit represents the Department's analysis of GSE loan-level data on single-family, owner-occupied, one-unit, home purchase mortgages.

³ The 1996 HMDA data released by Federal Financial Institutions Examination Council on August 4, 1997 documents the increased denial rates. This data covers all loans subject to HMDA reporting requirements.

Exhibit 5
Affordable Housing Goal Performance⁴

Percentage of Housing Units Financed						
	Low and Moderate Income		Special Affordable		Geographically Targeted	
	Goal	Performance	Goal	Performance	Goal	Performance
Fannie Mae	42%	45.5%	14%	19.1%	24%	29.0%
Freddie Mac	42%	42.9%	14%	15.3%	24%	26.3%
Special Affordable Subgoal for Multifamily						
	<u>Goal</u>			<u>Performance</u>		
Fannie Mae	\$1.3 billion			\$3.2 billion		
Freddie Mac	\$988 million			\$1.2 billion		

Fannie Mae helped provide mortgage credit financing for 781,281 low-and moderate-income housing units in 1997, and Freddie Mac for 503,459 low-and moderate-income units.

⁴ The figures in this Exhibit are those submitted by the GSEs in their Annual Housing Activity Reports. They are subject to adjustment by HUD after an analysis of the figures.

C. Outreach Efforts to Help Reach Minority Homebuyers

Both Fannie Mae and Freddie Mac have outreach programs and community lending products created especially to reach low- and moderate-income families. This section mentions a few of these programs.

In 1997, Fannie Mae continued its efforts to promote homeownership among residents of traditionally underserved communities, working with community-based organizations including the National Urban League, National Council of La Raza, Congress of National Black Churches, National Puerto Rican Coalition, and numerous locally-based groups, as well as lenders. Fannie Mae extends such support both directly and through its support of the Fannie Mae Foundation. The approaches have included educational outreach on the home-buying process, homeownership and credit counseling, and dialogue with lenders and community groups to seek alternative ways to eliminate barriers to homeownership. Fannie Mae conducts much of its work through its city and State Partnership Offices. At the end of 1997, Fannie Mae had 28 of these offices.

Since 1991, Freddie Mac has held discussions of its underwriting guidelines with industry participants and community groups through its Underwriting Barrier Outreach Groups (UnBOG) program. The objective is to identify underwriting provisions that may be misinterpreted by lenders and create unwarranted obstacles to borrowing. In addition, the groups have participated in Freddie Mac outreach activities and served as a forum for formulating and promoting new strategies to expand access to mortgage credit.

Both Fannie Mae and Freddie Mac have programs through which downpayment or other loan eligibility requirements may be relaxed for loans underwritten through particular lenders from whom the GSEs purchase mortgages. Under these programs, the GSEs have relaxed rules on debt-to-income ratios, asset requirements, and sources of funds for downpayments. Some of these activities are experimental in nature.

D. Fair Housing Activities of the GSEs

In addition to their efforts to expand affordable housing lending, the GSEs have specific fair lending responsibilities under the GSE Act and other statutes. The law prohibits the GSEs from discriminating in any manner in the purchase of any mortgage because of race, color, religion, sex, handicap, familial status, age or national origin. This prohibition also covers any consideration of the age or location of the dwelling, the age of the neighborhood or census tract where the dwelling is located.

If the Department is investigating whether a mortgage lender with which a GSE does business is violating the FHAct or the Equal Credit Opportunity Act, the Department may seek data about that lender from the GSE.

The Department is also required to obtain information about violations from the financial regulatory agencies, the Department of Justice, and the Federal Trade Commission. The Department provides information on those violations to the GSE or GSEs with which the mortgage lender in question does business. In addition, if a lender has been determined to have violated either the Fair Housing or the Equal Credit Opportunity Act, the Secretary may require the GSE to take remedial action against that lender. The lender is entitled to an administrative hearing before any remedial action is imposed.

Finally, the GSE Act requires the Department to periodically review and comment on the underwriting and appraisal guidelines of each GSE to ensure that these guidelines are consistent with the FHAct and § 1335 of the GSE Act. In 1997, the Department initiated two contract research project to examine the GSEs' underwriting practices in the single-family and multifamily mortgage markets. The Department plans to use the findings from these studies in establishing its program to monitor the GSEs' underwriting and appraisal guidelines.

Both GSEs expanded their use of automated underwriting systems in 1997. These systems incorporate statistical techniques for objectively measuring risk in the underwriting process. The GSEs state that the systems help them to identify borrowers who can qualify for a conventional mortgage loan who otherwise would not have qualified before the advent of automated techniques, including minority borrowers. However, some have raised questions over the extent to which automated systems enhance the objectivity of the overall mortgage underwriting process, whether they effectively recognize the unique needs and circumstances of underserved borrowers, and whether they incorporate traditional guidelines which have their roots in discriminatory practices. The Department is considering a research proposal to help assess whether automated underwriting systems have a disparate impact on minorities.

E. Summary

The GSEs have done much to address the needs of low-and moderate-income borrowers. They are continuing to direct resources to underserved markets and borrowers. They have increased the percentage of mortgages purchased that were made to these markets and borrowers since the GSE Act was passed in 1992. At the same time, research indicates that the share of the GSEs' business going to lower-income borrowers and underserved neighborhoods typically falls short of the corresponding share of other market participants⁵. Thus, while the GSEs are making progress towards meeting the needs of the underserved families, more remains to be done.

⁵ See "The GSEs Funding of Affordable Loans," cited in footnote 6.

B.4.4 Office of Community Planning and Development

Community Planning and Development (CPD) programs have a high degree of concentration of activities in distressed neighborhoods and communities and predominantly serve low and moderate income citizens who live in these areas. Activities tend to be concentrated in neighborhoods with a high degree of poverty and concentration of ethnic and racial minorities. The focus of these programs is much broader than housing, extending also to economic development, services and shelter to the homeless, and affordable housing for those with HIV and AIDS. The following exhibits detail the racial and ethnic characteristics of four major CPD programs: Community Development Block Grants (CDBG), HOME Investment Partnerships Program, Housing Opportunities for People with Aids (HOPWA), and the homeless assistance programs (Emergency Shelter Grants, Supportive Housing Program, Shelter Plus Care, and Section 8 Assistance for Single Room Occupancy Housing).

Exhibit 6

**Community Development Block Grants
Entitlement Communities -
Direct Benefit Activities, FY 1994**

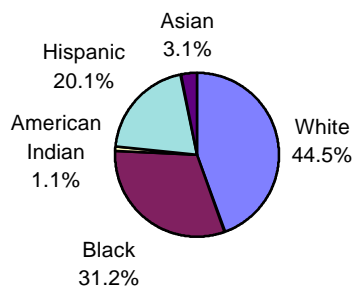


Exhibit 7

**HOME Program - Homebuyers
FY 1992 - 1997**

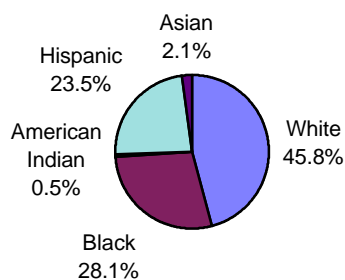


Exhibit 8

**HOME Program - Renters
FY 1992 - 1997**

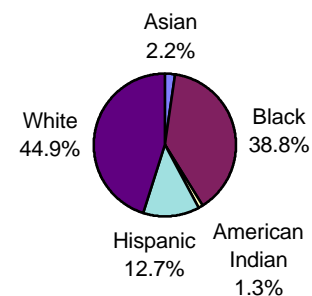


Exhibit 9

**Housing Opportunities for People
With AIDS
FYs 1992 - 1997**

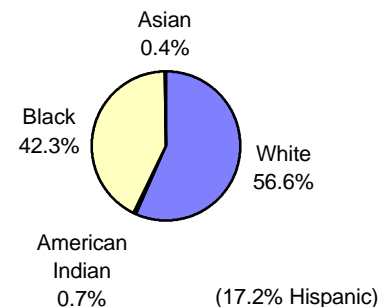
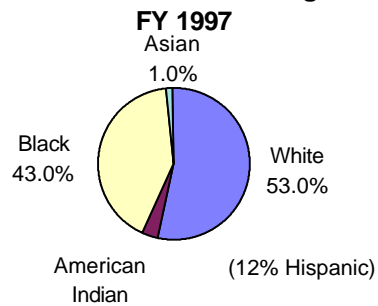


Exhibit 10
Homeless Assistance Programs



Beyond the information on beneficiaries by racial and ethnic groups that is present in Exhibit 28 for CDBG Entitlement Communities, the Department also has information on CDBG funding of activities which are exclusively for the elderly and the disabled. In FY 1994, grantees reported spending approximately \$55 million for facilities or public services for senior citizens. During that same year, grantees also reported spending about \$83 millions for removal of architectural barriers, facilities, and public services on the behalf of individuals with disabilities.